

EXHIBIT 1
DATE 3.31.07
HB 842

Amendments to House Bill No. 842
1st Reading Copy

Requested by Representative Hal Jacobson

For the House Taxation Committee

Prepared by Jeff Martin
March 30, 2007 (7:40am)

1. Title, line 4.

Strike: "INCENTIVES"

Insert: "CREDITS"

2. Title, line 5.

Strike: "PRODUCTS"

Insert: "TECHNOLOGIES"

3. Title, line 6.

Strike: "PRODUCTS"

Insert: "TECHNOLOGIES; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE
AND A RETROACTIVE APPLICABILITY DATE."

4. Page 1, line 10 through page 2, line 2.

Strike: everything after the enacting clause

Insert: "NEW SECTION. **Section 1. Tax credit for royalties received for certain technologies.** (1) (a) A resident individual or a corporation, small business corporation, as defined in 15-30-1101, partnership, or limited liability company, as defined in 35-8-102, doing business in the state may receive a credit against taxes imposed by Title 15, chapter 30 or 31, for royalty payments received by the taxpayer for the taxpayer's technology that was invented and manufactured in Montana.

(b) To qualify for the credit, the technology must be copyrighted, must be patented, or must have a patent pending pursuant to federal law.

(2) The credit may be claimed only for royalty payments received for the manufacture of the technology and not for other types of royalty payments, including but not limited to mineral royalty payments.

(3) The amount of the credit is equal to 6% of the royalty payment received in the tax year.

(4) The credit is nonrefundable and may not exceed the amount of the individual's tax liability. The credit may not be carried forward or carried back.

(5) If the taxpayer receives a royalty payment from a parent company or subsidiary for the production of the technology, the parent company or subsidiary shall reduce the deduction for royalty payments by the amount of the credit.

(6) A taxpayer may not claim a current year credit under

this section after December 31, 2013.

(7) If the credit is claimed by a small business corporation, a partnership, a limited liability partnership, or a limited liability company, the credit must be attributed to the individual shareholders, partners, members, or managers in the same proportion used to report income or loss for state tax purposes."

Insert: "NEW SECTION. Section 2. Manufacturer's tax credit for using certain technologies. (1) Subject to the conditions of this section, an individual, corporation, small business corporation, as defined in 15-30-1101, partnership, or limited liability company, as defined in 35-8-102, may receive a credit against taxes imposed by Title 15, chapter 30 or 31, for the costs of depreciable equipment in Montana used to manufacture a product of patented, patent pending, or copyrighted technology. The taxpayer may claim the credit under this section only if the taxpayer pays a royalty to a Montana resident or business in Montana that holds the rights of the technology.

(2) A taxpayer eligible for a credit under this section is entitled to claim a credit, as provided in subsection (3), for the costs described in subsection (1) that are incurred in any tax year in which the taxpayer is manufacturing a product of patented, patent pending, or copyrighted technology. The tax credit may be claimed only in the year in which the cost of the equipment was incurred.

(3) The amount of the credit that may be claimed under this section for depreciable equipment is 5% of the cost of the equipment used to manufacture the product. The credit may not exceed \$30,000 for each manufactured product, up to a maximum credit of \$60,000.

(4) If the equipment is used to manufacture a product other than a product referred to in subsection (1), the cost of the equipment must be multiplied by the ratio of gross receipts derived from the production of the qualifying product to total gross receipts before calculating the amount of the credit allowed under this section.

(5) The credit allowed under this section may not exceed the tax liability under Title 15, chapter 30 or 31. A credit may not be refunded if a taxpayer has tax liability less than the amount of the credit.

(6) The credit allowed under this section may be used as a carryforward against taxes imposed by Title 15, chapter 30 or 31, for the 7 succeeding tax years. The entire amount of the credit not used in the year earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year.

(7) A taxpayer may not claim a current year credit under this section after December 31, 2013. However, any unused credit may be carried forward as provided in subsection (6).

(8) If the credit is claimed by a small business

corporation, a partnership, a limited liability partnership, or a limited liability company, the credit must be attributed to the individual shareholders, partners, members, or managers in the same proportion used to report income or loss for state tax purposes."

Insert: "NEW SECTION. Section 3. Tax credit for royalties received for certain technologies. There is a credit against the taxes otherwise due under this chapter for royalty payments received for patented, patent pending, or copyrighted technology. The credit must be computed and administered as provided in [section 1]."

Insert: "NEW SECTION. Section 4. Manufacturer's tax credit for using certain technologies. There is a credit against the taxes otherwise due under this chapter for depreciable equipment that produces a product from a patented, patent pending, or copyrighted technology. The credit must be computed and administered as provided in [section 2]."

Insert: "NEW SECTION. Section 5. {standard} Codification instruction. (1) [Sections 1 and 2] are intended to be codified as an integral part of Title 15, chapter 31, part 1, and the provisions of Title 15, chapter 31, part 1, apply to [sections 1 and 2].

(2) [Sections 3 and 4] are intended to be codified as an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply to [sections 3 and 4]."

Insert: "NEW SECTION. Section 6. {standard} Effective date. [This act] is effective on passage and approval."

Insert: "NEW SECTION. Section 7. {standard} Retroactive applicability. [This act] applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 2006."

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